

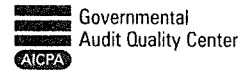
Henry County Healthcare Authority, Inc.
Audit
June 30, 2019 and 2018

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**W^{James Q.}
HITEHEAD**
CPA, INC.

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Independent Auditor's Report

Board of Directors
Henry County Healthcare Authority, Inc
PO Box 608
Abbeville, AL 36310

Report on the Financial Statements

I have audited the accompanying basic financial statements of the Henry County Healthcare Authority, Inc as of and for the year ended June 30, 2019 and 2018 and the related notes to the financial statements as listed in the table of contents, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I do not express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Henry County Healthcare Authority Inc. as of June 30, 2019 and 2018 and the changes in the financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

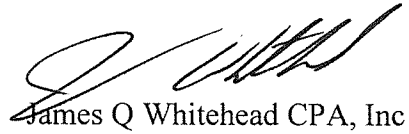
Required Supplementary Information

Management has omitted the management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 15, 2021 on my consideration of the Henry County Healthcare Authority, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henry County Healthcare Authority, Inc.'s internal control over financial reporting and compliance.

Sincerely:



James Q Whitehead CPA, Inc

August 15, 2021

Henry County Healthcare Authority, Inc
Statement of Net Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,396,834.00	\$ 770,606.00
Restricted-cash and cash equivalents	2,551,484.00	\$ 550,157.00
Investments	1,418,569.00	1,403,223.00
Patient accounts receivable	1,755,884.00	1,846,722.00
Prepaid expenses	48,745.00	50,174.00
Inventories	43,386.00	32,854.00
Total current assets	7,214,902.00	4,653,736.00
Capital Assets		
Land	172,840.00	172,840.00
Depreciable capital assets, net of accumulated depreciation	9,805,446.00	9,025,175.00
Total capital assets, net of accumulated depreciation	9,978,286.00	9,198,015.00
Total assets	17,193,188.00	13,851,751.00
Deferred Outflows of Resources	97,897.00	\$ 101,857.00
Total Assets and Deferred Outflows of Resources	<u>\$ 17,291,085.00</u>	<u>\$ 13,953,608.00</u>
Liabilities and Net Position		
Current liabilities		
Current maturities of long-term debt	\$ 1,164,157.00	\$ 989,157.00
Accounts payable and accrued expenses	962,848.00	558,974.00
Total current liabilities	2,127,005.00	1,548,131.00
Long-term debt, net of current maturities	10,195,187.00	8,362,201.00
Total liabilities	12,322,192.00	9,910,332.00
Deferred Inflows of Resources		
Net position(restated)		
Net investment in capital assets	(1,381,058.00)	(150,301.00)
Restricted-Expendable	2,551,484.00	550,157.00
Unrestricted	3,798,467.00	3,643,420.00
Total net position	4,968,893.00	4,043,276.00
Total liabilities and net position	<u>\$ 17,291,085.00</u>	<u>\$ 13,953,608.00</u>

See accompanying notes to financial statements.

Henry County Healthcare Authority, Inc
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Net patient service revenue	\$ 9,205,296.00	\$ 9,415,474.00
Resident services	761,285.00	684,515.00
	<hr/>	<hr/>
Total operating revenues	\$ 9,966,581.00	\$ 10,099,989.00
	<hr/>	<hr/>
Operating expenses:		
Administrative	1,009,003.00	854,157.00
Employee benefits	1,841,574.00	1,901,487.00
Nursing services	3,894,748.00	4,514,784.00
Dietary	868,093.00	850,357.00
Housekeeping	294,712.00	305,794.00
Laundry	118,314.00	150,947.00
Operation of plant	985,145.00	950,798.00
Social and activities	315,748.00	341,589.00
Depreciation	293,835.00	294,501.00
	<hr/>	<hr/>
Total expenses	9,621,172.00	10,164,414.00
	<hr/>	<hr/>
Operating income(loss)	345,409.00	(64,425.00)
	<hr/>	<hr/>
Non-operating revenue(expenses)		
Interest income	20,854.00	25,481.00
Bond costs	(35,180.00)	-
Interest expense	(359,470.00)	(328,700.00)
Advalorem taxes	1,065,147.00	1,050,748.00
Grants	(123,000.00)	(123,000.00)
Miscellaneous income(expense)	11,857.00	10,157.00
	<hr/>	<hr/>
Total non-operating revenues(expenses)	580,208.00	634,686.00
	<hr/>	<hr/>
Excess of revenues (under)over expenses	925,617.00	570,261.00
	<hr/>	<hr/>
Increase (Decrease) in net position	925,617.00	570,261.00
Net position-beginning of the year	4,043,276.00	3,473,015.00
Net position-end of the year	\$ 4,968,893.00	\$ 4,043,276.00
	<hr/>	<hr/>

See accompanying notes to the financial statements.

Henry County Healthcare Authority, Inc
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from and on behalf of patients	9,354,187.00	9,554,244.00
Payments to suppliers and contractors	(4,429,206.00)	(5,125,478.00)
Payments to employees	(3,815,474.00)	(4,541,874.00)
	<hr/>	<hr/>
Net cash provided by operating activities	1,109,507.00	(113,108.00)
Cash flows from noncapital financing activities:		
Property taxes	1,065,147.00	1,050,748.00
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	1,065,147.00	1,050,748.00
Cash flows from investing activities:		
Interest income	20,854.00	25,418.00
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	20,854.00	25,418.00
Cash flows from capital and related financing activities:		
Other income received	11,857.00	10,157.00
Capital grants	(123,000.00)	(123,000.00)
Bond costs	(35,180.00)	-
Note proceeds(payments)	100,000.00	59,239.00
Principal paid on bonds	(135,000.00)	(135,000.00)
Bond proceeds	2,175,000.00	-
Bond discount	(137,589.00)	-
Interest paid on long-term debt	(349,935.00)	(336,136.00)
Purchase of capital assets	(1,074,106.00)	(470,562.00)
	<hr/>	<hr/>
Net cash used by capital and related financing activities	432,047.00	(995,302.00)
Net increase(decrease) in cash and cash equivalents	2,627,555.00	(32,244.00)
Cash and cash equivalents, beginning of year	1,320,763.00	1,353,007.00
Cash and cash equivalents, end of year	<hr/> <hr/>	<hr/> <hr/>

See accompanying Notes to the Financial Statements.

Henry County Healthcare Authority, Inc
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents in current assets	\$ 1,396,834.00	\$ 770,606.00
Restricted cash and cash equivalents	2,551,484.00	550,157.00
Total cash and cash equivalents	<u>3,948,318.00</u>	<u>1,320,763.00</u>
Reconciliation of operating income(loss) to net cash provided(used) by operating activities:		
Operating income(loss)	345,409.00	(64,425.00)
Adjustments to reconcile operating income net cash flows used in operating activities:		
Depreciation	293,835.00	294,501.00
Changes in:		
Patient accounts receivable	90,838.00	(242,854.00)
Inventories	(10,532.00)	2,534.00
Prepaid expenses	1,429.00	(3,164.00)
Investments	(15,346.00)	(6,433.00)
Accounts payable and accrued expenses	403,874.00	(93,267.00)
Net cash (used) provided in operating activities	<u>\$ 1,109,507.00</u>	<u>\$ (113,108.00)</u>

Noncash Investing, Capital, and Financing Activities:

The Board held investments at June 30, 2019 with a fair value of 1,418,569.00, the net increase in the fair value of these investments was \$0.00.

See accompanying Notes to the Financial Statements.

Notes To The Financial Statements

Henry County Healthcare Authority, Inc.
Notes to the Financial Statements
June 30, 2019 and 2018

1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity-The Henry County Healthcare Authority, Inc. is a not-for-profit corporation that owns and operates the Henry County Nursing Home, a 142 bed nursing home that serves Henry and surrounding counties. The Henry County Healthcare Authority, Inc. was reincorporated from the Henry County Hospital Board, Inc. on December 13, 1994 pursuant to the provisions of the Health Care Authorities Act of 1982, as amended. The Henry County Hospital Board, Inc. was originally incorporated August 15, 1956, under provisions of the Code of Alabama 1975, paragraphs 22-21-70 through 22-21-83. The Henry County Commission appoints five of the total of nine Board of Director members. The other four board members are appointed by the board itself.

Tax Status- As a governmental unit, the Authority is exempt from federal and state income taxes. Due to the Authority's defined benefit plan (403b), the Authority is required to file an annual federal 990 under Code sections 501(c) 3. Currently, no tax is due. The Authority is required to operate in conformity with the Code to maintain its tax-exempt status. Authority management believes the Authority is currently designed and operated in compliance with the applicable requirements of the Code. Therefore, no provision for income tax has been included in the Authority's financial statements.

Accounting principles generally accepted in the United States of America require Authority management to evaluate tax positions taken by the Authority and recognize a tax liability or asset if the plan has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service. The Authority is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Tax years 2019, 2018, and 2017 are still open for examination.

Related Organization-The majority of the Board is appointed by the Henry County Commission. The County, however is not financially accountable (because it does not impose will or have a financial benefit or burden relationship) for the Board and the Board is not considered part of the Commission's financial reporting entity. The Board is considered a related organization of the County Commission.

Use of Estimates- The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions

that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise Fund Accounting- the Board uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Substantially all revenues and expenses are subject to accrual. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, as amended, the Board has elected to apply the provisions of all applicable GASB pronouncements as well as all relevant pronouncements of the

Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents-Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Capital Assets-The Board's capital assets are reported at historical costs. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using straight-line method of depreciation using these asset lives:

Land improvements	15 to 20 years
Building and building improvements	20 to 50 years
Equipment, computers, and furniture	5 to 7 years

Cost of Borrowing-Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Property Taxes-The Board received approximately 10 percent in 2019 and 9 percent in 2018 of its financial support from property taxes. These funds were used as follows:

	<u>2019</u>	<u>2018</u>
Used to support operations	\$621,777	\$605,488
Levied for debt service	443,370	445,260

Property taxes are levied in October of each year based on the assessments for property as of the previous October 1. The taxes are due the following October 1 and are considered delinquent after December 31.

Restricted Resources-When the Board has both restricted and unrestricted resources available to finance a particular program; it is the Board's policy to use restricted resources before unrestricted resources.

Net Position-Net position of the Board are classified in the following three components:

Net Investment capital assets-consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowing used to finance the purchase or construction of those assets. Deferred Outflows of Resources and Deferred Inflows of Resources related to acquiring, constructing, and improving those assets or related are also included.

Restricted:

expendable-consist of noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Board, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 6.

nonexpendable-equal the principal portion of permanent endowments.

Unrestricted-consist of the remaining net position that do not meet the definition of net investment in capital assets or restricted.

Operating Revenues and Expenses-The Board's statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Board's principal activity. Nonexchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Compensated Absences-The Board's employees earn Paid Days Off (PDOs). These are accrued as of 7 hours every two weeks of service. Employees may accumulate PDOs. The estimated amount of PDOs is reported as accounts payable and accrued expenses in both 2019 and 2018.

Net Patient Service Revenue-The Healthcare Authority has agreements with third-payers that provide for payments to the Nursing Home at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payers, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in the future periods as final settlements are determined.

Subsequent Events-The Authority management has evaluated subsequent events through August 15, 2021, the date the financial statements were available to be issued.

2. Net Patient Service Revenue

The Authority has agreements with third-party payers that provide for payments to the Authority at amounts different from the established rates. A summary of payment arrangements with third-party payers follows:

Medicare-Payments are made for residents under prospectively determined rates. These rates vary according to a resident's classification which is based on clinical, diagnostic, and other factors. The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare fiscal intermediary. Approximately 20% and 20% of the Authority's gross patient revenues were derived from Medicare beneficiaries in fiscal years 2019 and 2018 respectively.

Medicaid-Inpatient services and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary. Approximately 76% and 76% of the Authority's gross patient revenues were derived from Medicaid beneficiaries in fiscal years 2019 and 2018, respectively.

Other-The Authority has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Authority under these agreements includes prospectively determined daily rates.

3. Deposits and Investments

The Board's deposits at year-end were held by financial institutions that participate in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Statutes authorize the Board to invest in: a) securities that are direct obligations of, or the payment of the principal of and the interest on which is unconditionally guaranteed by, the United States of America, b) securities that direct obligations of any agency of the

United States of America, c) interest bearing deposits, including certificates of deposits, of any bank organized under the laws of the United States of America or any state thereof, and d) securities of the corporation.

As discussed in Note 1, the Board's investments are carried at fair value. All securities are held in the Board's name by a custodial bank that is the agent of the Board. At June 30, 2019 and 2018, the Board's investments consisted of the following:

	<u>2019</u>	<u>2018</u>
Certificates of Deposits with maturities over 3 months	\$3,948,318	\$ 1,403,223

The carrying amounts of the deposits and investments shown above are included in the Board's balance sheet as follows:

Carrying amount	<u>2019</u>	<u>2018</u>
Deposits	\$ 3,948,318	\$1,320,763
Investments	<u>\$ 1,418,569</u>	<u>\$1,403,223</u>
	\$5,366,887	\$2,723,986
Included in the following balance sheet captions		
Cash and cash equivalents	\$3,948,318	\$1,320,763
Investments	<u>\$1,418,569</u>	<u>\$1,403,223</u>
	<u>\$5,366,887</u>	<u>\$2,723,986</u>

4. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Board at June 30 2019 and 2018 consisted of these amounts:

Patient Accounts Receivable	<u>2019</u>	<u>2018</u>
Receivables from patients	\$659,794	\$701,515
Receivable from Medicaid	\$327,844	\$548,585
Receivable from Medicare	<u>\$768,246</u>	<u>\$596,622</u>
Patient accounts receivable	<u>\$1,755,884</u>	<u>\$1,846,722</u>
Accounts Payable and Accrued Expenses		
Accrued PDOs	\$362,266	\$ 328,518
Payable to suppliers	<u>600,582</u>	<u>230,456</u>
Accounts Payable and Accrued Expenses	<u>\$962,848</u>	<u>\$558,974</u>

5. Capital Assets

Capital asset additions, retirements, and balances for the years ended June 30, 2019 and 2018 were as follows:

	Balance June 30, 2017	Additions	Retirements	Balance June 30 2018
Land and improvements	\$ 172,840			\$ 172,840
Building and improvements	15,266,693	470,562		15,737,255
Equipment and furniture	1,525,183			1,525,183
Transportation equipment	69,360			69,360
	17,034,076	470,562		17,504,638
Accumulated depreciation	(8,012,122)	294,501		(8,306,623)
Net	9,021,954	176,061		9,198,015
Depreciation expense	293,682			294,501
	Balance June 30, 2018	Additions	Retirements	Balance June 30 2019
Land and improvements	\$ 172,840			\$ 172,840
Building and improvements	15,737,255	1,074,106		16,811,361
Equipment and furniture	1,525,183			1,525,183
Transportation equipment	69,360			69,360
	17,504,638	1,074,106		18,578,744
Accumulated depreciation	(8,306,623)	293,835		(8,600,458)
Net	9,198,015	780,271		9,978,286
Depreciation expense	294,501			293,835

6. Long-term Debt and Other noncurrent Liabilities

A schedule of changes in the Board's noncurrent liabilities for 2019 and 2018 follows:

	Balance <u>6-30-17</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-18</u>
Hospital Tax Anticipation Bonds Series 2011, Due November 2038 3.75% to 5.00%	1,570,000			1,570,000
Hospital Tax Anticipation Bonds Series 2013, Due April 1 2039 2.00% to 4.00%	2,670,000			2,670,000
Hospital Tax Anticipation Bonds Series 2016, Due April 1 2046 3,090,000 2.125% to 3.10%	3,090,000			3,090,000
Hospital Tax Anticipation Bonds Series 2014 April 2032 <u>1,855,000</u> 1.00% to 2.00%	<u>1,465,000</u>		<u>135,000</u>	<u>1,330,000</u>
Total	<u>\$8,795,000</u>		<u>135,000</u>	<u>\$8,660,000</u>
Less Bond Discount	(165,036)			(162,799)
Net Bonds	<u>\$8,629,964</u>			<u>\$8,497,201</u>
	Balance <u>6-30-18</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-19</u>
Hospital Tax Anticipation Bonds Series 2019, Due July, 2049 4.00% to 4.625%		2,175,000		2,175,000
Hospital Tax Anticipation Bonds Series 2011, Due November 2038 3.75% to 5.00%	1,570,000			1,570,000
Hospital Tax Anticipation Bonds Series 2013, Due April 1 2039 2.00% to 4.00%	2,670,000			2,670,000
Hospital Tax Anticipation Bonds Series 2016, Due April 1 2046 2.125% to 3.10%	3,090,000			3,090,000
Hospital Tax Anticipation Bonds Series 2014 April 2032 <u>1,855,000</u> 1.00% to 2.00%	<u>1,330,000</u>		<u>135,000</u>	<u>1,195,000</u>
Total	<u>\$8,660,000</u>	<u>2,175,000</u>	<u>135,000</u>	<u>\$10,700,000</u>
Less Bond Discount	(162,799)			(294,813)
Net Bonds	<u>\$8,497,201</u>			<u>\$10,405,187</u>

The debt service requirements for bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	210,000	401,388	611,388
2021	215,000	398,357	613,357
2022	220,000	393,844	613,844
2023	225,000	388,738	613,738
2024	230,000	381,152	611,152
2025-2029	1,285,000	1,782,973	3,067,973
2030-2034	1,525,000	1,550,257	3,075,257
2035-2039	1,830,000	1,241,100	3,071,100
2040-2044	2,255,000	813,870	3,068,870
2045-2049	2,705,000	362,379	3,067,379
Total	10,700,000	7,714,058	18,414,058
Less Bond Discount	(294,813)		(294,813)
Net Debt	10,405,187	7,714,058	18,119,245

The total debt service for the Authority is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	1,164,157	451,388	1,615,545
2021	215,000	398,357	613,357
2022	220,000	393,844	613,844
2023	225,000	388,738	613,738
2024	230,000	381,152	611,152
2025-2029	1,285,000	1,782,973	2,537,482
2030-2034	1,525,000	1,550,257	2,541,940
2035-2039	1,830,000	1,241,100	2,542,730
2040-2044	2,255,000	813,870	2,560,225
2045-2049	2,705,000	362,379	2,027,715
Total	11,654,157	7,714,058	18,414,058
Less Bond Discount	(294,813)		(294,813)
Net Debt	11,359,344	7,714,058	18,119,245

Under the terms of the Hospital Tax Anticipation Bonds, the Board is required to maintain certain deposits with a trustee. Such deposits are included with restricted cash

and investments on the balance sheet. The Hospital Tax Anticipation Bonds also places limits on the incurrence of additional borrowings and requires that the Board satisfy certain measures of financial performance as long as the notes are outstanding.

Also, in December 2008, the Authority secured \$1,000,000 in credit lines from its local banks. These credit lines are secured by real estate and the rates are 5.00%. The interest is due monthly. The lines have to be renewed annually.

The balances on these notes were as follows at 06-30-19:

	<u>06-30-17</u>	<u>Adds(Pmts)</u>	<u>06-30-18</u>
The Headland National Bank	\$794,918	59,239	\$854,157

Total	<u>\$794,918</u>	<u>59,239</u>	<u>\$854,157</u>
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	<u>06-30-18</u>	<u>Adds(Pmts)</u>	<u>06-30-19</u>
The Headland National Bank	\$854,157	100,000	\$954,157

Total	<u>\$854,157</u>	<u>100,000</u>	<u>\$954,157</u>
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The note is at 5% variable interest monthly with a three year renewal in September of that year.

7. Fair Value of Financial Instruments

The following methods and assumptions were used by the Authority in estimating the fair value of its financial instruments:

Cash and Cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Investments: Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Assets limited as to use: These assets consist primarily of cash and short-term investments and interest receivable. The carrying amount reported in the balance sheet is fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Long-term debt: Fair values of the Authority's tax anticipation bonds are based on current traded value. The fair value of the Authority's remaining long-term debt is estimated using discounted cash flow analyses, based on the Authority's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Authority's financial instruments at June 30, 2019 and 2018 are as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
Cash and cash equivalents	\$3,948,318	\$3,948,318	\$1,050,748	\$1,050,748
Investments	1,418,569	1,418,569	1,403,223	1,403,223
Accounts payable and accrued expenses	962,848	962,848	558,974	558,974
Long-term debt	10,700,000	10,700,000	8,795,000	8,795,000

8. Deferred Compensation

Effective for periods of service after July 1, 1988, a deferred compensation plan is in effect for qualifying employees of the nursing home. The plan meets requirements as specified by the Internal Revenue Service and has been approved by Medicaid for reimbursement. The nursing home's contributions are based on matched employee contributions to a maximum of five percent of the defined full-time employees. The cost to the Authority for 2019 was \$86,867 and \$108,543 for 2018.

9. Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

10. Inventory

As of June 30, 2019, inventory is listed at \$43,386 for 2019 and \$32,854 for 2018. Inventory consists of food products and medical supplies on hand. Inventory is computed at lower of cost or market.

11. Amortization of Bond Discount

As of June 30, 2019, bond discount was \$294,813 for 2019 and 162,799 for 2018. The bond discount is as follows:

Total Bond Discount	\$304,862
Amortization of discount	<u>(10,049)</u>
Net Bond Discount	<u>\$294,813</u>

The discount is amortized using the interest method over the life of the bonds which is 30 years. The annual amortized amount is \$10,161 for 2019 and 10,161 thereafter. It is shown as a component of interest expense.

The following is the amortization of the bond discount over 5 years

2020	\$10,161
2021	10,161
2022	10,161
2023	10,161
2024	10,161
Thereafter	<u>244,008</u>
Total	<u>\$294,813</u>

12. Bond Issue

On June 24, 2019, the Authority issued \$2,175,000 in Health Care Facilities Tax Anticipation Bonds, Series 2019. The issue consisted of \$2,000,000 for improvements to the facility \$83,214 in original issue discount \$35,180 in cost of issuance and \$54,375 in underwriter's discount. \$2,231 of additional proceeds was available for miscellaneous costs. The issue discount of \$137,589 will be amortized over the life of the loan using the interest method. The amortization period is for 30 years. The cost of the issuance \$35,180 is expensed in the current year.

13. Deferred Outflows of Resources

As of June 30, 2019, deferred outflows of resources was \$97,897 for 2019 and 101,857 for 2018. The deferred outflows of resources is as follows:

Total Deferred Outflows	\$108,507
Amortization of Outflows	<u>(10,610)</u>
Net Deferred Outflows	<u>\$97,897</u>

The deferred outflows are comprised of the loss on advance refunding and it is amortized over the life of the refunded bonds which is the same as the new bonds as a component of interest expense. The amortization is 30 years. The annual amortized amount is \$3,960 and is shown as a component of interest expense.

The following is the amortization of the bond discount over 5 years

2020	\$3,960
2021	3,960
2022	3,960
2023	3,960
2024	3,960
Thereafter	<u>78,097</u>
Total	<u>\$97,897</u>

14. Restatement of Net Assets

As of June 30, 2018, net position was restated by \$135,000 due to total debt being overstated.

Net Position	June 30, 2018	\$3,908,276
Restatement		<u>135,000</u>
Net Position as Restated	June 30, 2018	<u>\$4,043,276</u>

15. Contingencies

In March 11, 2020, The World Health Organization characterized the COVID-19 outbreak as a pandemic, as the rates of infection continue to rise in many locations around the world and across the United States. On March 13, 2020, President Donald J. Trump declared the COVID-19 outbreak in the United States a national emergency and Governor Kay Ivey declared a state public health emergency in Alabama. The Authority is considered an essential service and is following recommended guidelines for operations and social distancing. The loss of revenues related to the emergency measures implemented to prevent the spread of the COVID-19 outbreak is not presently determinable.

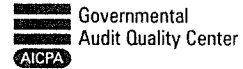
Additional Information

Board Members and Officials
July 1, 2018 through June 30, 2019

	Position	Address	Term Expires
<u>Board Member</u>			
Dwight Gamble	Co-Chair	PO Box 281 Headland, AL 36345	12-31-2024
Dennis Weber	Member	109 Money Drive Abbeville, AL 36310	12-31-2024
Diane KELLY	Member	1777 Powell Trace Abbeville, AL 36310	12-31-2019
Cora Vaughn	Member	110 Jordan Drive Abbeville, AL 36310	12-31-2019
Dawn Cleveland	Member	6211 State Hwy 27 Newville, AL 36353	12-31-2020
Dr Chris McCoy	Member	5252 State Hwy 27 Newville, AL 36353	12-31-2020
Judy Tye	Chair-Person	6541 State Hwy 95N Abbeville, AL 36310	12-31-2020
Betty Smith	Member	1015 County Road 25 Abbeville, AL 36310	12-31-2019
Craig McNaughton	Member	PO Box 201 Headland, AL 36345	12-31-2024

**W. James Q.
WHITEHEAD
CPA, INC.**

PO Box 489 • Headland, AL 36345
334-726-2168 • Fax 334-323-5602



**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

Board of Directors
Henry County Healthcare Authority, Inc.
PO Box 608
Abbeville, AL 36310

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Henry County Healthcare Authority, Inc as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Henry County Healthcare Authority, Inc.'s basic financial statements, and have issued my report thereon dated August 15, 2021.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Henry County Healthcare Authority, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Henry County Healthcare Authority, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Henry County Healthcare Authority, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.

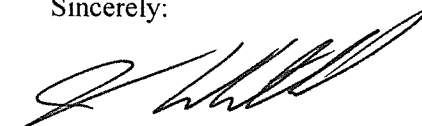
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry County Healthcare Authority, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

Sincerely:



James Q Whitehead CPA, Inc

August 15, 2021